

## AUDIT COMMITTEE

### FINAL SIGNED Minutes of the Meeting held on Monday 12 June 2017

at 5.30pm in The Source, All Saints' Building, Worcester

#### Present

##### Governors:

Kevin Gaffney	Chair
Steve Bolton	
Lucy Hodgson	
Denis Miles	
Debbie Morris	
Gary Woodman	

##### By Skype:

Louise Gresty	Vice Chair
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##### In Attendance:

Stuart Laverick	Principal
Kelvin Nash	Vice Principal Curriculum & Quality
Nicki Williams	Vice Principal Corporate & Resources
Cherie Clements	Director of Finance
Bill Devitt	Partner, Grant Thornton UK LLP (External Auditors)
Louise Tweedie	Director, RSM Risk Assurance Services LLP (Internal Auditors)
Emma Hunt	PA to the Principal (for Sue Frost)

#### Action

#### 11.1 Apologies

- i) Apologies for absence were received from Sue Frost.

*The attendees, with the exception of the PA to the Principal, left the meeting at this point.*

#### 11.2 Declarations of Interest

- i) Members were asked to declare any Interests, financial or otherwise, which they may have in any Agenda Item and confirmed that they had none.

#### 11.3 Audit Committee Concerns

- i) Members were invited to raise any issues which they wished to discuss in the absence of College Management and Auditors.

Members agreed that there were no issues which they wished to discuss in the absence of College Management and Auditors.

*The auditors joined the meeting at this point*

#### 11.4 Auditor Concerns

- i) The auditors were invited to raise any issues which they wished to discuss in the absence of College Management and agreed that there were none.

*The College attendees joined the meeting at this point*

**11.5 Minutes of the Previous Meeting**

- i) The Audit Committee **APPROVED** the Minutes of the meeting held on 6 March 2017 as an accurate record for signature by the Chair.

Chair

**11.6 Matters Arising**

- i) The Chair confirmed that all actions were either addressed or formed part of later Agenda items with the exception of 9.11 ii) Audit Committee Performance Review, where Members noted that the Auditors had kindly provided training for Gary Woodman before the meeting. The training had also been attended by Steve Bolton and Denis Miles.

- ii) The Audit Committee **MONITORED** action taken, and remaining to be taken, in respect of Matters Arising from the Minutes of previous meetings.

**11.7 Determination of Any Other Urgent Business**

The Chair agreed to accept two items which had been supplied by email earlier in the day:

- i) QRV visit feedback.  
ii) Ofsted Support and Challenge visit feedback.

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VPCQ**Risk Register and Assurance Framework****11.8 Risk Presentation – English and Maths**

- i) The Chair informed Members that the Quality Group and other groups had looked at English and maths over the year and so the information in this presentation should not be new. The Vice Principal Curriculum & Quality distributed hard copies of the presentation and went through the salient points.

- Risk 2.8 on the Risk Register applied specifically to English and maths and was a 'high' risk. English and maths also featured in the College Improvement Plan so there was a complete cross-college approach.
- Attendance was up overall over last year.
- Poorer performing areas such as sport, public services, hair and beauty, engineering, automotive, and art and design were pulling down the statistics across the college.
- A student attendance report card was re-introduced following discussions at a Teaching, Assessment Learning and Quality (TALQ) meeting. Some improvement in attendance has been seen after issuing these cards.
- The College's ethos around English and maths was not just about gaining the qualification, but also about skill building in-year and retention of those skills.
- GCSE starting points – it was clear from the College's own diagnostics that although students were arriving with a Grade D GCSE certificate, their actual ability was below this benchmark, and showed most were starting with Grade E/F/G equivalents. This means they had further to travel to gain a Grade C than might initially be expected.
- These diagnostics were repeated throughout the year in order to inform Individualised Learning Plans (ILPs) and show the current level of learning for each student.
- Improvements in maths were not as good as those in English.
- ILPs show students' grades may fluctuate throughout the year.
- Observations of staff teaching English and maths were at 72% graded good or better. Contextualisation of English and maths within the qualification was higher at 80%.
- Learner Voice feedback showed that students were beginning to understand they had to study English and maths until they gained a Grade C at least.
- Delivery guidelines were in place across the College.
- The College's English and maths calendar had been updated with the addition

of milestone weeks where internal diagnostic assessments would take place. Other flagged weeks had been added where further embedding within curriculum was the focus. Also during certain holiday periods, English and maths projects would be set and marked by delivery staff.

The Vice Principal Curriculum & Quality confirmed that arrangements for a target setting discussion prior to September were underway.

**ii)** Governors challenged management, asking:

- Was the College challenging the schools on these GCSE results? The Vice Principal Curriculum & Quality responded that the College was seeing the same issues as many other colleges. Students were being 'coached' through school to achieve the Grade but do not retain the learning.
- What can the College do to help improve achievement in English and maths? The Vice Principal Curriculum & Quality and staff governor explained that it was often a case of students not understanding the question and what was expected within the answer. Students were all individuals with differing attitudes and aptitudes - there was not one 'fix'.
- Why were students not all put on Functional Skills (FS) qualifications as that was getting better results than GCSE? The Vice Principal Curriculum & Quality responded that funding rules did not allow this and students with a Grade D had to do GCSE. The Principal stated that this rule might change with the new Technical (T) Levels.
- Members stated that Quality Group had recently looked at English and maths and asked how many English and maths tutors we have and if so important why did the College not have more? The Vice Principal Curriculum & Quality responded that the College did not need any more English and maths staff. Students were streamed into FS and GCSE and the numbers for next year were being looked at now and showed that the College did not need more. Feedback from students was that they did not want more delivery. The College would also split the two hour maths delivery session into two one hour sessions next year. English would stay as one two hour block. The Chair stated that he would still challenge the evidence based on the theory that practice makes perfect and that, if appropriately delivered, further input time would improve results. The Vice Principal Curriculum & Quality responded that, in a round about way, the College was increasing delivery next year via contextualisation.
- Members questioned splitting maths into two sessions, and asked if there was a danger that attendance would drop? The Vice Principal Curriculum & Quality responded that this came out of the Learner Voice 'You said... we did...' initiative and although a risk, it had been agreed.

**iii)** The Audit Committee **RECEIVED** a risk presentation on English and Maths from the Vice Principal Curriculum & Quality.

**11.9 Strategic Risk Register – Summer Term Update**

- i)** The Vice Principal Corporate & Resources presented the Summer term Strategic Risk Register and summary showing the scoring and classification of all risks and the full Risk Register was available in the Supporting Papers Folder on the Governor Portal.

The Vice Principal Corporate & Resources informed Members that, following

previous Audit Committee discussions around splitting Safeguarding risks, it was decided that this was not appropriate as Safeguarding cases often required the input of both the College and external parties.

Details were provided of changes to other individual risks.

- ii) Members asked if, following the recent election, risks regarding an unstable government might be added to the Risk Register? The Vice Principal Corporate & Resources agreed to do this in the autumn term. **VPCR**
- iii) The Audit Committee **MONITORED** the College Risk Register and **AGREED TO RECOMMEND** the Summer Term Update to the Corporation for approval on 18 July 2017. **CC**

#### 11.10 Internal Audit Reports

##### i) Progress Report

Louise Tweedie, Director, RSM Risk Assurance Services LLP (Internal Auditors), presented the internal audit reports, with the first summarising progress and results across the year's audits.

Louise Tweedie explained the General Data Protection Regulation (GDPR) in greater detail. More clarity and guidance was still awaited, in particular on issues such as 'the right to be forgotten' which would be difficult for colleges to implement, because of the need to retain learner data to comply with funding requirements. This had been included as part of next year's audit plan.

##### ii) Risk Management and Assurance

There were three low priority recommendations and the Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College.

The Chair pointed out that 6 of the 11 Risks listed under 'detailed findings' were shown as 'no' under the 'Controls complied with' column. Louise apologised and explained new software was causing some issues as this was clearly not the case.

The Chair asked if any changes were required around the risk management process for next year, given the Vice Principal Corporate & Resources' format of reporting plus what was coming out of the audit reports, between now and September. The Vice Principal Corporate & Resources responded that these final reports would inform the new Risk Register, there would be no changes to format, and the proposed new Risk Register for 2017/18 would be put to the Audit Committee for sign-off. There would be the usual termly meetings of the Risk Management Group prior to Audit Committee meetings.

##### iii) Learner Voice

There were no recommendations and the Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College.

Louise Tweedie commented that students had the opportunity to question the Principal at both the Student Senior Leadership Team and Student Departmental Management Team meetings. The Principal requested that a letter of thanks from the Chair be drafted to Sal Friel for her hard work with the Learner Voice, Student Senior Leadership Team and Student Departmental Management Team. **CC**

##### iv) Apprenticeships

There was one low priority recommendation and the Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College.

Members commented that the Risk Management presentation on Apprenticeships had provided increased assurance in this area.

**v) Quality Assurance Systems and Curriculum Implementation Framework**

There were two medium priority recommendations and the Internal Audit Opinion was that the area provided Substantial Assurance (green) to the College.

Louise Tweedie explained that this was testing College processes - therefore it was possible that if a member of staff were graded inadequate following a lesson observation, and the College then put assistance in place, even if there were no improvement but performance management procedures were followed, the process itself would be marked as 'green' because it was in place and being followed. This was sometimes misunderstood within colleges.

Governors challenged management, asking:

- Why had hospitality and IT been chosen as the sample subject areas? The Vice Principal Curriculum & Quality said that this was a random choice.
- What system was the staff utilisation data taken from? The Director of Finance confirmed it was taken from the Human Resource records. The Vice Principal Corporate & Resources added that pulling data together was slower than the College would like, as Unit E was still being built and populated following the merger. The Chair asked if the same system was used for curriculum planning and the Director of Finance confirmed it was not.
- How were these staff reports used? The Vice Principal Curriculum & Quality explained that they showed if a tutor was up to capacity with teaching hours and that information could then be used for sick cover, teaching on further modules, reducing contracts etc.

**vi) The Audit Committee **NOTED** the Internal Audit Progress Report and Benchmarking report and **AGREED TO ADVISE** the Corporation that:**

CC

- The Risk Management and Assurance report provided Substantial Assurance (green) to the College with three low priority recommendations
- The Learner Voice Report provided Substantial Assurance (green) to the College with no recommendations
- The Apprenticeships - Key Controls Report provided Substantial Assurance (green) to the College with one low priority recommendation
- The Quality Assurance Systems and Curriculum Implementation Framework Report provided Substantial Assurance (green) to the College with two medium priority recommendations

**11.11 Internal Audit Service Strategy and Annual Plan**

**i)** Louise Tweedie presented the Internal Audit Strategy for 2017-20 and the Internal Audit Plan for 2017/18 which had been updated in consultation with College management and the Clerk to the Corporation, taking into account key issues and risks. The detailed plan for 2017/18 was for 38 days' input with a focus on the core areas of data protection, key financial controls, governance, commercial activities and learner number systems. The papers included the three year plan (with the current year base data) and a summarised history of previous assurance since 2014/15.

**ii)** Louise Tweedie informed Members, for information, that in connection with funding compliance, a new 'double lock' might be introduced on systems whereby the employer and the College had to enter student information identically, and if the two entries did not match, the College would not get paid.

- iii) Governors challenged management over the level of Internal Audit days proposed in the three year plan. The Chair stated that his immediate observation was that last year's plan involved 60 days of audits, which was now reducing to around 38 days. Was that a big risk? The Principal responded that on merger, the view was taken that a high number of days was needed, but it was now felt that the number could reduce to levels more consistent with similar sized colleges in the sector. The Director of Finance circulated benchmark data. The Chair expressed concern at dropping 22 days of audit and felt reluctant to follow other colleges for at least another year. Members and Bill Devitt, (Partner, Grant Thornton UK LLP, External Auditors) suggested that, rather than focusing on a set number of days to be included in next year's audit plan, the Audit Committee should ensure that key risks were addressed. Extra days could then be added in a planned approach if these were felt to address an issue that was not otherwise covered.

There followed a discussion around whether 'splitting the difference' (38 days + 11 days for the next two years) could be a compromise.

The Director of Finance stated that the College had asked all Departments to make substantial savings. This reduction was a saving, and the benchmarking showed that some of the risks were not individual to the College but were across the sector, and other colleges are managing with less.

It was suggested to put this discussion on hold until the November Audit Committee meeting. The Chair agreed to 38 core days, then a decision as to what extra days (up to 60 days in total) are needed, to be reviewed at the next audit meeting in November.

*Lucy Hodgson left the meeting at this point.*

- iv) The Audit Committee **CONSIDERED** the Internal Audit Service Strategy for 2017/18 - 2019/20 and Plan for 2017/18 and **AGREED TO RECOMMEND** them to the Corporation for approval on 18 July 2017, based on an initial 38 day plan for 2017/18, to be further refined at the next Audit Committee meeting. The additional 22 days would remain available until then to address any areas of increased risk identified by the Audit Committee at this point.

CC

#### 11.12 2016/17 Financial Statements Audit

- i) Bill Devitt Partner, Grant Thornton UK LLP (External Auditors), presented the Audit Plan for the year ending 31 July 2017 which included a SWOT analysis and identification of significant and "Reasonably Possible Risks".

Three significant risks were highlighted. The first two were driven by international standards in auditing; the third was pension fund liability. All other areas would get some attention, but this was not because they were a risk. Materiality levels were set, so audits would not look at everything, but would also not ignore everything below that level either.

Fees for the service had risen in line with inflation. FRS102 fees had dropped out.

The Chair asked if any issues were anticipated regarding last minute sign-off? The Vice Principal Corporate & Resources confirmed that a similar situation was expected this year, given pressures on government agencies, and the earlier December Corporation date made it less likely that the College would have the reconciliation statement allowing the accounts to be signed off. There was therefore a higher risk that the Corporation would have to approve the Financial Statements "subject to" the Reconciliation Statement confirming the funding indicated in the accounts.

- ii) The Audit Committee
- **CONSIDERED** the Financial Statements Audit plan for 2016/17
  - **AGREED TO RECOMMEND** it to the Corporation for approval on 18 July 2017
  - **AGREED TO ADVISE** the Corporation that three “Reasonably Possible Risks” were identified

CC

### 11.13 Post-16 Audit Code of Practice 2016 to 2017

- i) The full Post-16 Audit Code of Practice (PACOP) was in the Supporting Papers Folder on the Governor Portal. It set out the specific requirements for the assurance, accountability and audit arrangements for providers of post-16 education and training and the broad framework in which they should operate. The changes from the previous Joint Audit Code of Practice were summarised at paragraph 6 as updates to reflect Machinery of Government changes including the transfer of SFA into the Department for Education (‘the Department’) and the addition of common findings from regularity assurance work in Annex C.
- ii) Annex C previously contained the Regularity Self Assessment Questionnaire, which supported the Corporation in drafting the statement on regularity, propriety and compliance. For 2015/16 it had to be “completed and signed by the college accounting officer and Chair of Governors at a suitable committee meeting in advance of the reporting of the year end audit work”. The self-assessment questionnaire was referred to at paragraphs 46 – 47 and “will be published in due course following further consultation with the sector”. The sign off mechanism was therefore unknown and the auditors confirmed that this was still outstanding.
- iii) The Audit Committee **RECEIVED** the replacement for the Joint Audit Code of Practice.

### 11.14 Education and Skills Funding Agency Chief Executive Letter to College Accounting Officers

- i) The Audit Committee Chair had requested a paper addressing the key messages from the Agency’s reviews of funding assurance in the letter issued to all college Accounting Officers in April 2017 by Peter Lauener. The paper included a summary compiled by the Executive and Clerk to the Corporation of the College’s key strengths and evidence of assurance specific to the College in order to:
- Put strong governance in place to hold the college leadership team and Principal to account
  - Provide clarity of direction
  - Use high quality self-assessment and appropriate independent challenge to test the college’s position
- ii) The Audit Committee **DISCUSSED** matters raised and **CONSIDERED** the assurance provided.

#### CONFIDENTIAL ITEMS

*Items 11.15 – 11.22 are recorded as Confidential Minutes 1 and 2 of 2*

### 11.23 Any Other Urgent Business

- i) **QAA Quality Review Visit (QRV) Report**  
The Principal presented QRV report and stated that he was pleased with the outcome. With regards to areas for development, these were already in hand.
- ii) **Ofsted Support and Challenge Visit**

The Vice Principal Curriculum & Quality presented the letter and explained that this was the third and final visit by Ofsted under this arrangement. It was agreed

that Inclusive Learning and High Needs provision should self-assess as Grade 1. Russell Jordan HMI had stated that the next Ofsted Inspection would fall after Christmas 2017 and before Easter 2018. This would be a full inspection, with 8 - 10 Inspectors.

**11.24 Date and Time of Next Meeting**

i) Tuesday 21 November 2017, 5pm, The Bubble, Osprey House, Redditch

The meeting closed at 19.57pm.

**Signed:**

**Date:**

Emma Hunt  
PA to the Principal

Sue Frost  
Clerk to the Corporation